

JOHANNESBURG-LEWISTON AREA SCHOOLS
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

JOHANNESBURG-LEWISTON AREA SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

September 27, 2005

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Johannesburg-Lewiston Area Schools' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 27, 2005 on my consideration of Johannesburg-Lewiston Area Schools' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 23 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, based on my audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "T. Zick, CPA, P.C.", is written above the printed name.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

JOHANNESBURG-LEWISTON AREA SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Johannesburg-Lewiston Area Schools District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2005. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Johannesburg-Lewiston Area Schools District exceeded its liabilities at the close of the most recent fiscal year by \$3,554,572 million (net assets).

The district's total net assets decreased by \$324,933 in the 2004/05 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$715,200.

USING THE ANNUAL REPORT

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets as of June 30, 2005 and June 30, 2004.

TABLE 1 Governmental Activities

<u>Assets</u>	<u>06/30/05</u>	<u>06/30/04</u>
Current Assets	\$ 1,113,841	\$ 1,632,991
Noncurrent Assets	10,805,921	11,176,896
Total Assets	<u>\$ 11,919,762</u>	<u>\$ 12,809,887</u>
<u>Liabilities</u>		
Current Liabilities	\$ 162,623	\$ 978,939
Noncurrent Liabilities	8,202,567	7,997,052
Total Liabilities	<u>\$ 8,365,190</u>	<u>\$ 8,975,991</u>
<u>Net Assets</u>		
Invested in Capital Assets - Net of Debt	\$ 2,885,921	\$ 2,616,896
Restricted	248,435	515,327
Unrestricted	420,216	701,673
Total Net Assets	<u>\$ 3,554,572</u>	<u>\$ 3,833,896</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2005 and fiscal year 2004.

TABLE 2 Governmental Activities

	<u>06/30/05</u>	<u>06/30/04</u>
Program Revenues		
Charges for services	\$ 139,686	\$ 135,445
Operating grants and contributions	899,576	935,321
General Revenues		
Property taxes	5,397,775	5,313,770
State School Aid	2,047,602	2,177,909
Other	171,810	80,013
Total Revenues	<u>\$ 8,656,449</u>	<u>\$ 8,642,458</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	06/30/05	06/30/04
Functions/Program Expenses		
Instruction	\$ 4,799,912	\$ 4,647,958
Supporting services	3,001,603	2,856,225
Athletics & food services	513,555	488,876
Transfers and other	666,312	430,495
Total Expenses	<u>8,981,382</u>	<u>8,423,554</u>
Change in Net Assets	<u>\$ (324,933)</u>	<u>\$ 218,904</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$8,981,382. While \$5,397,775 in revenue was generated directly from local taxpayers, another \$139,686 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$899,576 to the district. The district received \$2,047,602 in state education funding and just over \$171,810 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2005 decreased by \$324,933.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2004/05 the District amended the budgets of these major governmental funds once. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget will change significantly from the beginning to the end of the year.

General Fund

The General Fund revenues were lower than expenditures in the past year of operations by \$246,236. The district has evaluated expenditures in all operational areas in order to make budgetary cuts if necessary.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated \$7,071,008 of depreciation. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$416,584 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Governmental Activities

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,359,157	2,500	-	14,361,657
Buses and other vehicles	747,078	58,478	44,111	761,445
Furniture and equipment	1,949,653	24,023	4,339	1,969,337
Subtotal	<u>17,834,125</u>	<u>85,001</u>	<u>48,450</u>	<u>17,870,676</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accumulated depreciation:

Land improvements	249,808	34,510	-	284,318
Building and building improvements	4,366,578	304,779	-	4,671,357
Buses and other vehicles	529,305	56,380	44,111	541,574
Furniture and equipment	1,472,182	105,916	4,339	1,573,759
Subtotal	6,617,873	501,585	48,450	7,071,008
Net capital assets being depreciated	11,216,252	(416,584)	-	10,799,668
Net governmental capital assets	\$ 11,222,505	\$ (416,584)	\$ -	\$ 10,805,921

Long Term Debt

The District owes \$8,016,611 on loans that will be paid over the next eleven years. This is a decrease in outstanding debt of \$640,000 or 7.4%. More detail is shown on pages 19-21 in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Johannesburg-Lewiston Area Schools District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Johannesburg-Lewiston Area Schools, 10854 M-32, Johannesburg, MI 49751

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash demand and time deposits	\$ 550,389
Investments	10,534
Receivables	
Other governments	489,142
Taxes	19,740
Accounts	38,169
Inventory	5,867
Capital assets	
Land	6,253
Other capital assets, net of depreciation	10,799,668
	<hr/>
TOTAL ASSETS	11,919,762
	<hr/>
LIABILITIES	
Account payable	36,696
Accrued liabilities	91,441
Deferred revenue	34,486
Noncurrent liabilities:	
Due within one year	937,320
Due in more than one year	7,265,247
	<hr/>
TOTAL LIABILITIES	8,365,190
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	2,885,921
Restricted for:	
Debt Service	239,949
Capital Projects	8,486
Unrestricted	420,216
	<hr/>
TOTAL NET ASSETS	\$ 3,554,572
	<hr/>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
Instruction	\$ 4,799,912	\$ -	\$ 367,653	\$ (4,432,259)
Support Services	3,001,603	-	296,071	(2,705,532)
Athletics	149,509	38,442	-	(111,067)
Food Service	364,046	101,244	235,852	(26,950)
Interest on Debt	666,312	-	-	(666,312)
Total Governmental Activities	<u>\$8,981,382</u>	<u>\$139,686</u>	<u>\$899,576</u>	<u>(7,942,120)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				4,233,147
Property taxes, levied for debt services				1,005,917
Property taxes, levied for special education through ESD				158,711
State aid not restricted to specific purposes				2,047,602
Interest, investment, and royalty earnings				139,458
Other				<u>32,352</u>
Total general revenues, contributions and transfers				<u>7,617,187</u>
Change in net assets				(324,933)
Net assets, beginning of year (as restated)				<u>3,879,505</u>
Net assets, end of year				<u>\$ 3,554,572</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL FUND	2004 REFUNDING BONDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ 280,963	\$ 218,092	\$ 51,334	\$ 550,389
Investments	-	-	10,534	10,534
Receivables				
Taxes	19,740	-	-	19,740
Accounts	38,169	-	-	38,169
Inventory	-	-	5,867	5,867
Due From Other Funds	4,027	-	-	4,027
Due From Other Governmental Units	489,142	-	-	489,142
TOTAL ASSETS	<u>\$ 832,041</u>	<u>\$ 218,092</u>	<u>\$ 67,735</u>	<u>\$ 1,117,868</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 34,648	\$ -	2,048	\$ 36,696
Accrued Liabilities	47,707	-	-	47,707
Due to Other Funds	-	-	4,027	4,027
Deferred Revenue	34,486	-	-	34,486
TOTAL LIABILITIES	<u>116,841</u>	<u>-</u>	<u>6,075</u>	<u>122,916</u>
FUND BALANCES				
Reserved	-	218,092	30,343	248,435
Unreserved	715,200	-	31,317	746,517
TOTAL FUND BALANCES	<u>715,200</u>	<u>218,092</u>	<u>61,660</u>	<u>994,952</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 832,041</u>	<u>\$ 218,092</u>	<u>\$ 67,735</u>	<u>\$ 1,117,868</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
JUNE 30, 2005

Fund Balances - Total Governmental Funds	\$994,952
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets - at Cost	17,876,929
Accumulated Depreciation	(7,071,008)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds payable	(8,016,611)
Retirement incentive payable	(135,000)
Compensated absences payable	(50,956)
Accrued interest payable is not included as a liability in governmental funds	<u>(43,734)</u>
Net Assets of Governmental Activities	<u><u>\$3,554,572</u></u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	2004 REFUNDING BONDS	OTHER FUNDS	TOTAL
REVENUES				
Local Sources	\$ 4,400,121	\$ 763,620	\$ 381,983	\$ 5,545,724
State Sources	2,303,895	-	55,390	2,359,285
Federal Sources	399,168	-	180,462	579,630
Interest Income	48,891	88,492	2,075	139,458
Other Revenue	32,352	-	-	32,352
TOTAL REVENUES	7,184,427	852,112	619,910	8,656,449
EXPENDITURES				
Current				
Instruction	4,546,466	-	-	4,546,466
Supporting Services	2,704,838	-	20,611	2,725,449
Athletic Events	-	-	149,509	149,509
Food Services	-	-	364,046	364,046
Capital Outlay	66,959	-	18,042	85,001
Debt Service:				
Principal	-	7,485,000	350,000	7,835,000
Interest and Other Charges	-	654,806	35,250	690,056
TOTAL EXPENDITURES	7,318,263	8,139,806	937,458	16,395,527
REVENUES OVER (UNDER) EXPENDITURES	(133,836)	(7,287,694)	(317,548)	(7,739,078)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	244,300	244,300
Proceeds From Bonds	-	7,195,000	-	7,195,000
Transfers (Out)	(112,400)	(131,900)	-	(244,300)
TOTAL OTHER FINANCING SOURCES (USES)	(112,400)	7,063,100	244,300	7,195,000
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(246,236)	(224,594)	(73,248)	(544,078)
FUND BALANCES, BEGINNING OF YEAR	961,436	442,686	134,908	1,539,030
FUND BALANCES, END OF YEAR	\$ 715,200	\$ 218,092	\$ 61,660	\$ 994,952

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (544,078)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay	85,001
Deduct - Depreciation Expense	(501,585)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal Payments on Long-term Liabilities	7,835,000
Less - Proceeds on Long-term Debt	(7,195,000)

Accrued interest , compensated absences, and retirement incentive payable do not require the use of current financial resources and therefore are not reported as expenditures in the fund statements

Less - Increase in retirement incentive payable	(37,500)
Add - Decrease in accrued interest payable on bonds	23,744
Add - Decrease in compensated absences	9,485

Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">(\$324,933)</div>
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See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
JUNE 30, 2005

ASSETS

Cash	\$ 108,288
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TOTAL ASSETS	<u>\$ 108,288</u>
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LIABILITIES

Due to Student Groups	\$ 108,288
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TOTAL LIABILITIES	<u>\$ 108,288</u>
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See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Johannesburg-Lewiston Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

REPORTING ENTITY

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2004 Refunding Bonds Debt Retirement Fund – The 2004 Refunding Bonds Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets – The fund balance in the debt service fund is shown as a restricted fund balance. This balance can only be used to service the debt.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings, building additions, and land improvements	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-15 years

Long-Term Obligations – In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

Excess Expenditures Over Appropriations in Budgeted Funds - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instruction	\$ 4,514,132	\$ 4,554,947	\$ (40,415)
Supporting Services	\$ 2,719,302	\$ 2,763,316	\$ (44,014)

NOTE 3 - CASH AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Investment</u>	<u>Total</u>
Governmental Activities	\$ 210	\$ 550,179	\$ 10,534	\$ 560,923
Agency Funds	-	108,288	-0-	108,288
	<u>\$ 210</u>	<u>\$ 658,467</u>	<u>\$ 10,534</u>	<u>\$ 669,211</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$658,467 and the balance was classified as to risk as follows.

Insured	\$ 482,480
Uninsured – Uncollateralized	175,987
	<u>\$ 658,467</u>

Investments – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority

The School district's investments are detailed below. They are all considered mutual funds and not required to be categorized by risk according to GASB #3.

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	<u>Carrying Amount/ Market Value</u>
Investments held by	
Cadre Financial Services – Michigan Liquid Asset Fund	\$ 10,534
Total Investments Per Report	<u>\$ 10,534</u>

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Other Funds</u>
Receivables		
Taxes	\$ 19,740	\$ -0-
Accounts	38,169	-0-
State of Michigan	<u>489,142</u>	<u>-0-</u>
Net Receivables	<u>\$ 547,051</u>	<u>-0-</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of grant and categorical aid payments received prior to meeting all eligibility requirements and other items totaling \$34,486.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
Transfers In/Out			
General Fund	\$ -0-	\$ (112,400)	\$ (112,400)
Special Revenue:			
Food Service Fund	2,400	-0-	2,400
Athletics	110,000	-0-	110,000
Debt Service:			
1995 Debt Fund		(131,900)	(131,900)
2002 Debt Fund	<u>131,900</u>	<u>-0-</u>	<u>131,900</u>
Total	<u>\$ 244,300</u>	<u>\$ (244,300)</u>	<u>\$ -0-</u>

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,359,157	2,500	-	14,361,657
Buses and other vehicles	747,078	58,478	44,111	761,445
Furniture and equipment	1,949,653	24,023	4,339	1,969,337
Subtotal	17,834,125	85,001	48,450	17,870,676
Accumulated depreciation:				
Land improvements	249,808	34,510	-	284,318
Building and building improvements	4,366,578	304,779	-	4,671,357
Buses and other vehicles	529,305	56,380	44,111	541,574
Furniture and equipment	1,472,182	105,916	4,339	1,573,759
Subtotal	6,617,873	501,585	48,450	7,071,008
Net capital assets being depreciated	11,216,252	(416,584)	-	10,799,668
Net governmental capital assets	\$ 11,222,505	\$ (416,584)	\$ -	\$ 10,805,921

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 225,431
Support services	276,154
Total	<u>\$ 501,585</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of debt transactions of the School District for the Year ended June 30, 2005:

	2002 Bond	Durant Debt	1995&2004 Bond	Compensated Absences and Retirement Incentive	Total
Payable at July 1, 2004	\$ 1,075,000	\$ 96,611	\$ 7,485,000	\$ 157,941	\$ 8,814,552
Additions	-0-	-0-	7,195,000	90,000	7,285,000
Reductions	(350,000)	-0-	(7,485,000)	(61,985)	(7,896,985)
Payable at June 30, 2005	<u>\$ 725,000</u>	<u>\$ 96,611</u>	<u>\$ 7,195,000</u>	<u>\$ 185,956</u>	<u>\$ 8,202,567</u>

Description	Interest Rate	Maturity Year	Outstanding 6/30/05		Total
2002 Bond	2.50-3.50%	2007	Principal \$ 725,000	Interest \$ 37,625	\$ 762,625
Durant Debt	5.20%	2005	96,611	27,834	124,445
2004 Refunding Bonds	2.00-4.00%	2016	7,195,000	1,660,475	8,855,475
Total			<u>\$8,016,611</u>	<u>\$1,725,934</u>	<u>\$ 9,742,545</u>

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

2002 GENERAL OBLIGATION BONDS - Original issue - \$1,700,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.50% to 3.50% throughout the life of the bond issue. The final payment is due May 1, 2007.

	<u>2005/06</u>	<u>2006/07</u>	<u>Total</u>
Principal	\$ 350,000	\$ 375,000	\$ 725,000
Interest	<u>24,500</u>	<u>13,125</u>	<u>37,625</u>
Total	<u>\$ 374,500</u>	<u>\$ 388,125</u>	<u>\$ 762,625</u>

DURANT DEBT - During a previous fiscal year the district received proceeds in the amount of \$151,222 as partial resolution of litigation. The District will receive State Aid equal to the debt service cost annually. If the legislature fails to appropriate the funds, the District is under no obligation to make the payment.

Original issue - \$151,222 – School Improvement Bond, Series 1998 due in annual installments as scheduled below. The annual interest rate is 4.761343%. The final payment is due May 15, 2013.

During the 2003/03 school year the Michigan Municipal bond Authority determined that certain payments of principal and interest (those payments due May of 2003, 2004, and 2005) shall be deferred until a later date which increases the amounts due in the later years of the contract but does not increase the total number of years outstanding.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	7,320	3,300	10,620	2010	8,816	1,803	10,619
2007	34,978	15,133	50,111	2011	9,236	1,383	10,619
2008	8,033	2,586	10,619	2012	9,676	942	10,618
2009	8,416	2,204	10,620	2013	<u>10,136</u>	<u>483</u>	<u>10,619</u>
				Total	<u>\$ 96,611</u>	<u>\$ 27,834</u>	<u>\$ 124,445</u>

2004 REFUNDING GENERAL OBLIGATION BONDS - Original issue - \$7,195,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.00% to 4.00% throughout the life of the bond issue. The final payment is due May 1, 2016.

	<u>May 1 Principal</u>	<u>Interest Rate</u>	<u>May 1 Interest</u>	<u>Nov 1 Interest</u>	<u>Total</u>
2005		2.000		118,950	118,950
2006	520,000	2.0-2.5	118,950	113,750	752,700
2007	540,000	2.500	113,750	107,000	760,750
2008	590,000	2.5-3.0	107,000	99,625	796,625
2009	610,000	3.000	99,625	90,475	800,100
2010	630,000	3.0-3.5	90,475	81,025	801,500
2011	655,000	3.500	81,025	69,562	805,587
2012	675,000	3.500	69,563	57,750	802,313
2013	700,000	3.5-4.0	57,750	45,500	803,250
2014	730,000	4.000	45,500	30,900	806,400
2015	760,000	4.000	30,900	15,700	806,600
2016	<u>785,000</u>	<u>4.000</u>	<u>15,700</u>	<u>-0-</u>	<u>800,700</u>
	<u>\$ 7,195,000</u>		<u>\$ 830,238</u>	<u>\$ 830,237</u>	<u>\$ 8,855,475</u>

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Five Year Annual Debt Service for all debt, other than retirement incentive and compensated absences, combined is as follows:

Annual Debt Service Requirements:

	Governmental Activities		
	Principal	Interest	Total
2005/06	\$ 877,320	\$ 265,700	\$ 1,143,020
2006/07	949,978	255,758	1,205,736
2007/08	598,033	216,586	814,619
2008/09	618,416	201,454	819,870
2009/10	638,816	182,753	821,569
2010-2015	3,549,048	572,283	4,121,331
2015-2016	785,000	31,450	816,450
Total	<u>\$ 8,016,611</u>	<u>\$ 1,725,984</u>	<u>\$ 9,742,595</u>

\$239,949 is available in the Debt Retirement Funds to service the general obligation bonds.

On September 28, 2004, the school district issued \$7.195 million in General Obligation Bonds with an average interest rate of 3.59% to advance refund \$7,070,000 of outstanding 1996 School Building and Site General Obligation Bonds with an average interest rate of 5.18%. The net proceeds along with \$300,000 additional funds from the debt retirement fund were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to invest until the 1996 bonds could be called. The call date was May 1, 2005. At the fiscal year end, June 30, 2005, the 1996 bonds were paid in full and are no longer a debt of the district.

The district advance refunded the 1996 Series bonds to reduce its total debt service payments over the next twelve years by approximately \$453,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$339,000.

During the period of September 28, 2004 and May 1, 2005 the investments held by the escrow agent earned approximately \$81,600 in investment income. This was used to offset the interest cost accrued until the call date of May 1, 2005 when the old debt was formally retired.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 14.87% of participant's salary to the System for the fiscal year ended 6/30/05, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2005, 2004, and 2003 were \$609,865, \$562,184, and \$541,001.

Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. These contributions are deducted from the retirees monthly pension. No additional contributions are required from the District on these post-employment benefits. The 14.87% noted above includes these costs.

NOTE 9 - RISK MANAGEMENT

The School District participates in the MASB-SEG Property and Casualty Pool and Workers Compensation Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverage from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

NOTE 10 – SUBSEQUENT EVENT

On June 13, 2005 the Board of Education approved the annual borrowing resolution in an amount not to exceed \$1,500,000. The School District borrowed those funds July 11, 2005.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

In the government wide financial statements the beginning balance of net capital assets was increased by \$45,609 which has the effect of increasing net assets by the same amount. The adjustment was as follows:

Adjustment to beginning capital asset cost	\$ 481,658
Adjustment to beginning accumulated depreciation	(436,049)
	<u>\$ 45,609</u>

This adjustment occurred because the district decreased the capitalization threshold from \$1,500 to \$1,000. This added additional assets to the capital asset inventory.

REQUIRED SUPPLEMENTARY INFORMATION

JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 4,476,347	\$ 4,471,093	\$ 4,481,364	\$ 10,271
State Sources	2,330,742	2,328,843	2,303,895	(24,948)
Federal Sources	295,607	405,235	399,168	(6,067)
TOTAL REVENUES	7,102,696	7,205,171	7,184,427	(20,744)
EXPENDITURES				
Instruction:				
Basic programs	3,490,914	3,475,914	3,557,135	(81,221)
Added Needs	1,054,910	1,030,137	989,331	40,806
Capital Outlay	-	8,481	8,481	-
Support Services:				
Student Services	257,531	343,631	325,516	18,115
General Administration	280,863	280,863	251,159	29,704
Office of Principal	577,620	577,620	599,105	(21,485)
Business Office	90,294	74,294	102,034	(27,740)
Technology	50,000	50,000	58,374	(8,374)
Plant Operation and Maintenance	818,580	811,490	812,062	(572)
Transportation	513,619	513,619	548,886	(35,267)
Other Services	6,000	7,785	7,702	83
Capital Outlay	60,000	60,000	58,478	1,522
TOTAL EXPENDITURES	7,200,331	7,233,834	7,318,263	(84,429)
REVENUES OVER (UNDER) EXPENDITURES	(97,635)	(28,663)	(133,836)	(105,173)
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(131,830)	(121,830)	(112,400)	9,430
TOTAL OTHER FINANCING SOURCES (USES)	(131,830)	(121,830)	(112,400)	9,430
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(229,465)	(150,493)	(246,236)	(95,743)
FUND BALANCES, BEGINNING OF YEAR	961,436	961,436	961,436	-
FUND BALANCES, END OF YEAR	\$ 731,971	\$ 810,943	\$ 715,200	\$ (95,743)

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	WITH FINAL (UNDER)
	ORIGINAL	FINAL		
LOCAL SOURCES				
Taxes and Penalties	\$ 4,245,322	\$ 4,231,120	\$ 4,233,147	\$ 2,027
Interest & Royalties	35,000	43,000	48,891	5,891
Miscellaneous Income	15,000	30,000	32,352	2,352
Incoming Transfers ISD	181,025	166,973	166,974	1
TOTAL LOCAL SOURCES	4,476,347	4,471,093	4,481,364	10,271
STATE SOURCES				
Categorical State Aid	2,330,742	2,328,843	2,303,895	(24,948)
TOTAL STATE SOURCES	2,330,742	2,328,843	2,303,895	(24,948)
FEDERAL SOURCES				
Title I	204,965	227,739	227,444	(295)
Title II A	56,126	56,126	56,011	(115)
Ed Tech Formula Grant	5,538	5,788	5,788	-
Title V	12,398	7,766	7,766	-
Homeland Security Grant	-	1,784	1,784	-
Comprehensive School Reform	-	86,100	70,126	(15,974)
Incoming Transfers ISD & Other	16,580	19,932	30,249	10,317
TOTAL FEDERAL SOURCES	295,607	405,235	399,168	(6,067)
TOTAL REVENUE & OTHER FINANCING SOURCES	\$ 7,102,696	\$ 7,205,171	\$ 7,184,427	\$ (20,744)

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET OVER
	ORIGINAL	FINAL		
EXPENDITURES				
INSTRUCTION				
Basic Programs:				
Elementary	\$ 1,367,518	\$ 1,360,018	\$ 1,421,815	\$ (61,797)
Middle School	946,947	939,447	946,585	(7,138)
High School	1,146,749	1,146,749	1,159,035	(12,286)
Early Childhood	29,700	29,700	29,700	-
Total Basic Programs	3,490,914	3,475,914	3,557,135	(81,221)
Added Needs:				
Special Education	455,877	455,877	432,770	23,107
Title I	230,684	230,684	227,444	3,240
At Risk	303,349	303,349	300,320	3,029
Vocational Education	65,000	40,227	28,797	11,430
Total Added Needs	1,054,910	1,030,137	989,331	40,806
Other - Capital Outlay:	-	8,481	8,481	-
TOTAL INSTRUCTION	4,545,824	4,514,532	4,554,947	(40,415)
SUPPORTING SERVICES				
Student Services:				
Guidance Services	43,331	43,331	46,247	(2,916)
Comprehensive School Reform	5,000	91,100	70,126	20,974
Other Services	6,000	6,000	7,946	(1,946)
Library	197,120	197,120	195,058	2,062
Drug Free	1,580	1,580	2,489	(909)
Computers & Technology	4,500	4,500	3,650	850
Total Student Services	257,531	343,631	325,516	18,115
General Administration:				
Board of Education	67,350	67,350	50,262	17,088
Executive Administration	213,513	213,513	200,897	12,616
Total General Administration	280,863	280,863	251,159	29,704

(Continued)

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET OVER
	ORIGINAL	FINAL		
INSTRUCTION (CONTINUED)				
School Administration				
Office of Principal	\$ 577,620	\$ 577,620	\$ 599,105	\$ (21,485)
Business Office	90,294	74,294	102,034	(27,740)
Total School Administration	667,914	651,914	701,139	(49,225)
Technology	50,000	50,000	58,374	(8,374)
Plant Operation and Maintenance	818,580	811,490	812,062	(572)
Pupil Transportation	513,619	513,619	548,886	(35,267)
Other Services	6,000	7,785	7,702	83
Capital Outlay	60,000	60,000	58,478	1,522
TOTAL SUPPORTING SERVICES	2,654,507	2,719,302	2,763,316	(44,014)
OUTGOING TRANSFERS				
Food Service Fund	11,830	11,830	2,400	9,430
Athletics Fund	120,000	110,000	110,000	-
TOTAL OUTGOING TRANSFERS	131,830	121,830	112,400	9,430
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 7,332,161	\$ 7,355,664	\$ 7,430,663	\$ (74,999)

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

JOHANNESBURG-LEWISTON AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>SPECIAL REVENUE FUNDS</u>					
	ATHLETIC FUND	FOOD SERVICE FUND	2002 DEBT FUND	DURANT DEBT FUND	2002 CAPITAL PROJECT FUND	TOTAL
ASSETS						
Cash	\$ 28,594	\$ 883	\$ 21,857	\$ -	\$ -	\$ 51,334
Investments	-	-	-		10,534	10,534
Inventory	-	5,867	-			5,867
TOTAL ASSETS	<u>\$ 28,594</u>	<u>\$ 6,750</u>	<u>\$ 21,857</u>	<u>\$ -</u>	<u>\$ 10,534</u>	<u>\$ 67,735</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 2,048	\$ 2,048
Due to Other Funds	-	4,027	-	-	-	4,027
TOTAL LIABILITIES	<u>-</u>	<u>4,027</u>	<u>-</u>	<u>-</u>	<u>2,048</u>	<u>6,075</u>
FUND BALANCE						
Reserved	-	-	21,857	-	8,486	30,343
Unreserved	28,594	2,723	-	-	-	31,317
TOTAL FUND BALANCES	<u>28,594</u>	<u>2,723</u>	<u>21,857</u>	<u>-</u>	<u>8,486</u>	<u>61,660</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,594</u>	<u>\$ 6,750</u>	<u>\$ 21,857</u>	<u>\$ -</u>	<u>\$ 10,534</u>	<u>\$ 67,735</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>SPECIAL REVENUE FUNDS</u>					
	ATHLETIC FUND	FOOD SERVICE FUND	2002 DEBT FUND	DURANT DEBT FUND	2002 CAPITAL PROJECT FUND	TOTAL
REVENUES						
Local Sources	\$ 38,442	\$ 101,244	\$ 242,297	\$ -	\$ -	\$ 381,983
Interest	-	581	1,129	-	365	2,075
State Sources	-	55,390	-	-	-	55,390
Federal Sources	-	180,462	-	-	-	180,462
TOTAL REVENUES	38,442	337,677	243,426	-	365	619,910
EXPENDITURES						
Athletics	149,509	-	-	-	-	149,509
Food Service	-	364,046	-	-	-	364,046
Other	-	-	-	-	20,611	20,611
Debt Service						
Principal	-	-	350,000	-	-	350,000
Interest	-	-	35,250	-	-	35,250
Capital Outlay	-	5,914	-	-	12,128	18,042
TOTAL EXPENDITURES	149,509	369,960	385,250	-	32,739	937,458
REVENUES OVER (UNDER) EXPENDITURES	(111,067)	(32,283)	(141,824)	-	(32,374)	(317,548)
OTHER FINANCING SOURCES (USES)						
Transfers In	110,000	2,400	131,900	-	-	244,300
TOTAL OTHER FINANCING SOURCES (USES)	110,000	2,400	131,900	-	-	244,300
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,067)	(29,883)	(9,924)	-	(32,374)	(73,248)
FUND BALANCES, BEGINNING OF YEAR	29,661	32,606	31,781	-	40,860	134,908
FUND BALANCES, END OF YEAR	\$ 28,594	\$ 2,723	\$ 21,857	\$ -	\$ 8,486	\$ 61,660

See Notes to Financial Statements



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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 27, 2005

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2005, which collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements and have issued my report thereon dated September 27, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Johannesburg-Lewiston Area Schools' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Johannesburg-Lewiston Area Schools in a separate letter dated September 27, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Johannesburg-Lewiston Area Schools in a separate letter dated September 27, 2005.

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September 27, 2005
Board of Education
Johannesburg-Lewiston Area Schools

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, the Michigan Department of Education, and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "T. Zick, CPA, P.C.", written in a cursive style.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT



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FINANCIAL AUDIT COMMENTS

September 27, 2005

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the general purpose financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2005, and have issued my report thereon dated September 27, 2005. My report is unqualified.

I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2005, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain immaterial matters involving the internal control structure and other matters that I detail for your attention below.

BUDGETS - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following areas:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instruction	\$ 4,514,132	\$ 4,554,947	\$ (40,415)
Supporting Services	\$ 2,719,302	\$ 2,763,316	\$ (44,014)

FIXED ASSETS

The fixed asset listing as prepared by the outside appraisal firm was not complete, nor accurate for vehicles and for building costs. I have adjusted these amounts based upon audited construction costs and will assist your personnel in updating the fixed asset detail list.

FEDERAL PROGRAMS

COMPREHENSIVE SCHOOL REFORM GRANT

The entire grant amount was requested in July of 2004, immediately after approval. Federal guidelines require the district to request funds as needed, which normally means to meet cash needs within thirty days.

Several expenditures paid from this grant were to consultants for services which were to be provided throughout the school year. The payment was made in advance of the services being performed.

STUDENT ACTIVITY / FIDUCIARY ACCOUNTS

The student activity bank accounts were not reconciled to the detail totals. While the differences were minor they should be reconciled monthly and corrections be made where necessary. At the end of the school year a final report should be run so administration personnel have complete records in order to reconcile these totals as of June 30 each year.

Expenses are being paid out of a student activity account which should be expenditures of the district general fund. All disbursements from this fund should be for activity items only and not expenditures which should be classified in one of the district's funds.

MATERIAL WEAKNESS

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the matters described above are material weaknesses.

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September 27, 2005
Board of Education
Johannesburg-Lewiston Area Schools

This report is intended solely for the information and use of the Johannesburg-Lewiston Area Schools management, Board of Education, the Michigan Departments of Treasury and Education, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "T. Zick, CPA, P.C.", written in a cursive style.

THOMAS R. ZICK CPA, P.C.
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